

§ 203.68

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§ 203.68 What pre-application costs will MMS consider in determining economic viability?

(a) We will not consider ineligible costs as set forth in § 203.89(h) in deter-

mining economic viability for purposes of royalty relief.

(b) We will consider sunk costs (allowable expenditures on and after the discovery well as specified in § 203.89(a)) in accordance with the following table.

We will—	When—
Include sunk costs	The field has not produced, other than test production, before the application submission date.
Not include sunk costs ...	Determining whether an authorized field can become economic with any relief (see § 203.67).
Not include sunk costs ...	Determining how much suspension volume is necessary to make development economic (see § 203.69(c)).
Not include sunk costs ...	Evaluating an expansion project.

§ 203.69 If my application is approved, what royalty relief will I receive?

This section applies only to leases on which you have applied for and received a royalty-suspension volume under section 302 of the DWRRA. We will not collect royalties on a specified suspension volume for your field. Suspension amounts include volumes allocated to a lease under an approved unit agreement and exclude any volumes that do not bear a royalty under the lease or the regulations of this chapter.

(a) For authorized fields, the minimum royalty-suspension volumes are:

(1) 17.5 million barrels of oil equivalent (MMBOE) for fields in 200 to 400 meters of water;

(2) 52.5 MMBOE for fields in 400 to 800 meters of water; and

(3) 87.5 MMBOE for fields in more than 800 meters of water.

(b) If the application for the field includes leases in different categories of water depth, we apply the minimum royalty-suspension volume for the deepest lease then associated with the field. We base the water depth and makeup of a field on the water-depth delineations in the "Royalty Suspension Areas Map" and the Field Names Master List and updates in effect at

the time your application is approved. These publications are available from the GOM Regional Office.

(c) You will get a royalty-suspension volume above the minimum if we determine that you need more to make developing the field economic.

(d) For expansion projects, the minimum suspension volumes do not apply. If we determine that your expansion project may be economic only with relief, we will determine and grant you the royalty-suspension volume necessary to make the project economic.

(e) A royalty-suspension volume will continue through the end of the month in which cumulative production reaches that volume. The cumulative production is from all the leases in the authorized field or expansion project that are entitled to share the royalty suspension volume.

§ 203.70 What information must I provide after MMS approves relief?

You must submit reports to us as indicated in the following table. Sections 203.81 and 203.90 through 203.91 describe what these reports must include. MMS's GOM Regional Office will tell you the formats.

Required report	When due to MMS	Due date extensions
Fabricator's confirmation report.	Within 1 year after approval of relief	MMS Director may grant you an extension under § 203.79(c) for up to 1 year.
Post-production report	Within 60 days after the start of production that is subject to the approved royalty-suspension volume.	With acceptable justification from you, MMS's GOM Regional Director may extend due date up to 60 days.